**UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

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| BETH SHIKIAR, Individually and On Behalf of All Others Similarly Situated,<br><br>Plaintiffs,<br><br>v.<br><br>VEOLIA ENVIRONNEMENT S.A., HENRI PROGLIO, ANTOINE FRÉROT, PIERRE-FRANÇOIS RIOLACCI, THOMAS PIQUEMAL, and JEROME CONTAMINE,<br><br>Defendants. | : | **Civil Action No.** 12 CIV 0312<br><br>**COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS**<br><br>**DEMAND FOR JURY TRIAL** |



Plaintiff Beth Shikiar ("Plaintiff"), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Veolia Environnement S.A. ("Veolia" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

**NATURE OF THE ACTION**

1. This is a federal securities class action on behalf of a class consisting of all persons other than defendants who purchased Veolia's American Depositary Shares ("ADS")

between April 27, 2007 and August 3, 2011, both dates inclusive (the "Class Period"), seeking to recover damages caused by defendants' violations of the federal securities laws and to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 against the Company and certain of its top officials.

2. Veolia operates utility and public transportation businesses. The Company supplies drinking water, provides waste management services, manages and maintains heating and air conditioning systems, and operates rail and road passenger transportation systems.

3. On August 4, 2011, the Company announced financial results for the period ending June 30, 2011. In addition, the Company reported operating income of €252.2 million, compared to €1,100.7 million in the prior year period, due to "non-recurring write-downs amounting to €686M (principally in Italy, Morocco and the United States)." Further, the Company disclosed that had identified accounting fraud in its Marine Services business where earnings for periods from 2007 through 2010 were inflated by at least €152 million.

4. On these revelations, Veolia shares declined $4.66 or more than 22%, to close at $16.10 on August 4, 2011.

5. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Company was materially overstating its financial results by engaging in improper accounting practices; (2) the Company failed to timely record an impairment charge for its Transport business in Morocco, Environmental Services businesses in Egypt, Marine Services business in the United States, and for Southern Europe; (4) the Company's revenues were being hampered by the renewal of some of its major concession

contracts; (5) the Company lacked adequate internal and financial controls; and (6) as a result of the foregoing, the Company's statements were materially false and misleading at all relevant times.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's ADS, Plaintiff and other Class members have suffered significant losses and damages.

**JURISDICTION AND VENUE**

7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the SEC [17 C.F.R. §240.10b-5].

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

9. Venue is proper in this District pursuant to 28 U.S.C. § 1391 (b), because defendants maintain an office in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

10. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

**PARTIES**

11. Plaintiff, Beth Shikiar, as set forth in the accompanying certification and incorporated by reference herein, purchased the ADS of Veolia during the Class Period and has been damaged thereby.

12. Defendant Veolia operates utility and public transportation businesses. The Company supplies drinking water, provides waste management services, manages and maintains heating and air conditioning systems, and operates rail and road passenger transportation systems.

13. Defendant Henri Proglio ("Proglio") was the Company's Chairman and Chief Executive Officer ("CEO") until November 2009. From November 2009 to December 2010, Defendant Proglio served as Chairman of Veolia.

14. Defendant Antoine Frérot ("Frérot") has been the Company's CEO since November 2009. Since December 2010, Defendant Frérot has been the Company's Chairman.

15. Defendant Pierre-François Riolacci ("Riolacci") has been the Company's Chief Financial Officer ("CFO") since February 2010.

16. Defendant Thomas Piquemal ("Piquemal") served as the Company's Executive Vice President in charge of finance from January 2009 to February 2010.

17. Defendant Jerome Contamine ("Contamine") served as the Company's Senior Executive Vice President and CFO from 2003 to January 2009.

18. The defendants referenced above in ¶¶ 13-17 are referred to herein as the "Individual Defendants."

## SUBSTANTIVE ALLEGATIONS

### Background

19. Veolia provides environmental management services to individuals, public authorities, and industrial and commercial services customers worldwide. The Company operates in four segments: (i) the Water segment offers water and wastewater services, including the management and operation of large-scale and customized drinking water plants, wastewater decontamination and recycling plants, drinking water distribution networks, and wastewater

collection networks; and provision of call centers and billing services; (ii) the Environmental Services segment provides waste management and logistical services, which include waste collection, waste processing, cleaning of public spaces, maintenance of production equipment, treatment of polluted soil, and management of waste discharge at industrial sites; (iii) the Energy Services segment offers a range of energy management services comprising operation of heating and cooling networks, decentralized energy production, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, integrated facilities management, and electrical services on public streets and roads; and provides heating system maintenance services, plumbing and renewable energy services, and meter-reading services; and (iv) the Transportation segment operates various bus networks, suburban trains, tramways, metros and ferries, as well as offers customized transportation-on-demand services. This segment also provides intercity and regional transportation, infrastructure management and airport services, and transportation management services.

## **Materially False and Misleading**
## **<u>Statements Issued During the Class Period</u>**

20. On April 27, 2007, the Company issued a press release announcing the acquisition of the SULO Group of Germany for €1,450 million. The press release stated the following in relevant part:

> With annual revenue of around 1.3 billion in 2006, Sulo is the second largest waste management operator in Germany. Sulo is the market leader in the collection of municipal waste and packaging (Duales System). The company is also an unrivaled specialist in paper and plastics recycling and has high-level expertise in sorting and organic recovery. It holds strong market positions in Eastern Europe and the Baltic states. Sulo employs 7,700 people, including 6,300 employees in Germany.
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> Upon the completion of this acquisition, the company's waste management division, Veolia Environmental Services, will have revenue in Germany totaling approximately 1,500 million, or around 16% of the division's global revenue.

In addition to the acquired positions in Germany, Veolia Environmental Services strengthens its role in the materials recovery and recycling businesses in Europe. The merger of Veolia Environmental Services and Sulo enables strong synergies to be envisaged, as between them the companies will deal with 4 million metric tons of used paper in what is now a global market.

Furthermore, this transaction strengthens Veolia Environmental Services's presence in the high-growth markets of Eastern Europe and the Baltic states. With revenue of around 200 million in the region, Veolia Environmental Services will have a unique base for expansion in these high growth markets.

The acquisition price corresponds to 8.0 times EBITDA, after taking into account minority interests. The transaction matches the Veolia Environnement's investment criteria and should slightly increase net earnings per share from the first year.

Henri Proglio, Chairman and Chief Executive Officer of Veolia Environnement, said: Veolia Environnement is already well established in Germany in water, energy services and transportation. This acquisition strengthens our position by making us a major player in the country's waste management market. Following the operation, our revenue in Germany will rise to 10%. We will be in an excellent position to develop our expertise in this market, in particular to take advantage of the acceleration in the development of public-private partnerships.

Denis Gasquet, the Chief Executive Officer of Veolia Environmental Services, added: This acquisition strengthens our position as a major operator in the European waste management market. It also reinforces our position in sorting activities and recycled materials management which are at the center of our growth strategy over the coming years and will allow us to accelerate our organic growth in the high potential markets of Eastern Europe.

21. On May 9, 2007, the Company issued a press release announcing consolidated revenue for the first quarter ended March 31, 2007 where it reported consolidated revenue of €7,795.1 million, as compared to €7,162.5 million for the same period a year ago.

22. On May 31, 2007, the Company issued a press release announcing the acquisition of TMT, the waste management and treatment subsidiary of Termomeccanica Ecologia in Italy, for €338 million. The press release stated the following in relevant part:

TMT is specialized in the design, build and operation of waste treatment facilities (incinerators and mechanical, MBT*-type waste-to-fuel treatment facilities).

> The company is the largest private operator in the thermal waste treatment market in Italy, managing seven treatment facilities in different regions of the country. It also has a portfolio of particularly interesting contracts for future plants, some of which are already under construction.
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> In 2006, TMT reported proforma revenue of97 million. In view of projects already on stream, revenue should increase significantly in the coming years and reach approximately 200 million in 2011.
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> "The thermal waste treatment market is particularly dynamic and attractive because of the stated objective of reducing volumes of waste going to landfill, coupled with public incentives for production of green energy. Veolia Environmental Services will therefore be well positioned to respond competitively to future tenders to build new facilities in Italy. In addition to the Italian market, TMT will serve as a gateway for development throughout Southeast Europe, an area faced with similar needs, thanks to its high-quality teams and strong references. This acquisition also puts us in a stronger position to develop our services to industrial organizations (special industrial waste, remediation of polluted soils, ... )" said Denis Gasquet, Chief Executive Officer of Veolia Environmental Services.
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> "This new acquisition, which generates an expected rate of return higher than our standard criteria and will enhance the Company's net income from the second year, strengthens Veolia's position in the Italian and Mediterranean markets" said Henri Proglio, Chairman and Chief Executive Officer of Veolia Environnement.

23. On June 11, 2007, the Company issued a press release announcing the acquisition of Thermal North America, Inc. ("TNAI"), the waste management and treatment subsidiary of Termomeccanica Ecologia in Italy, for $788 million. The press release stated the following in relevant part:

> Through this acquisition, Veolia Environnement, which already has a large presence in the United States in our water, transport, and waste management activities, expands its position in the country by becoming a leading player in the energy services market. The acquisition of Thermal North America, Inc. gives us the means to accelerate our growth in this market, which is crucial as major changes are starting to take place in US environmental policy. The deal enables Veolia Environnement to achieve critical mass in each of its four businesses, enabling the Group to create powerful synergies within Veolia Environnement North America, whose organization was recently strengthened. It will also increase Veolia Environnement's North American revenue to around USD 4 billion in 2008.

With projected revenue of USD 425 million in 2007, Thermal North America, Inc., is present in various regional markets acting on the leading edge of environmental stewardship, particularly the Northeast and California. It notably owns and operates heating networks in Boston, Philadelphia, Baltimore, Atlanta, Kansas City, Trenton, St[.] Louis, Oklahoma City and Tulsa and several cooling networks in Las Vegas and Los Angeles. The company employs 450 people and operates 3500 MW of thermal capacity, 520 MW of cooling capacity and 245 MW of electrical capacity. In addition to the distribution of heat and cooling, Thermal North America, Inc. also has power generation (through cogeneration) and comprehensive building management services.

The transaction positions Veolia Environnement in the world's largest energy services market at a time when higher energy costs and changes in US environmental regulations are expected to create new opportunities.

Veolia Energy's objective in the United States, is to drive double-digit annual growth in revenue over the next five years by leveraging the company's expertise in its core business, which is to provide integrated energy solutions that deliver energy savings, promote renewable energy and capitalise on its efforts to reduce greenhouse gas emissions in the relevant markets. The plan involves expanding networks especially cooling networks, which offer strong potential in city centres upgrading production plants, and broadening service solutions to current and future customers, such as hospitals, large production plants and big property developments.

The acquisition price, which is in line with the Group's usual profitability criteria, amounts to roughly 9.5 times forecast EBITDA for 2008.

Olivier Barbaroux, Chief Executive Officer of Veolia Energy stated: This acquisition makes us a major player in energy services in the United States, which will account for 5% of our business in 2008. Building on our experience in Europe, where we are the leader in energy and environmental efficiency services, we are well positioned to respond to the evolving environmental concerns in North America.

24. On August 1, 2007, the Company issued a press release announcing consolidated revenue for the second quarter ended June 30, 2007 where it reported consolidated revenue of €15,461.6 million, as compared to €13,940.5 million for the same period a year ago.

25. On August 29, 2007, the Company issued a press release announcing financial results for the second quarter ended June 30, 2007 where it reported net income of €493 million

and consolidated revenue of €15,462 million, as compared to net income of €444.5 million consolidated revenue of €13,941 million for the same period a year ago.

26. On November 7, 2007, the Company issued a press release announcing consolidated revenue for the third quarter ended September 30, 2007 where it reported consolidated revenue of €23,321 million, as compared to €20,575 million for the same period a year ago.

27. On February 5, 2008, Veolia issued a press release announcing its financial results for the year ended December 31, 2007 where it reported consolidated revenue of €32,628.2 million. With regard to the Company's Environmental Services segment, formerly known as the Waste Management segment, the press release stated, in pertinent part, as follows:

> The 7.1% external growth stemmed, in particular, from acquisitions made by Veolia Environmental Services in the United Kingdom and Germany (a contribution of around €1,200 million), by Veolia Energy in Europe and Australia (€254 million) and by Veolia Transport in France and the United States (€161 million). The contribution of acquisitions enabled the Company to accelerate its growth outside France, where revenue totaled €18,372.3 million, or 56.3% of total revenue, compared to 53.2% in 2006.
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> In France, revenue increased by 7.1% (+6.6% at constant scope) as a result of strong price increases for recycled materials (paper, metals), higher tonnages in the collection and sorting-recycling of solid waste, waste electrical and electronic equipment (WEEE) operations and the treatment of polluted soil, the increase in tonnages to landfills and the good level of business activity at incineration plants.
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> Outside France, 7.9% internal growth came from all regions. It was noteworthy in the United Kingdom with the start-up of new integrated contracts (Shropshire) and the expansion of existing integrated contracts (East Sussex and Nottinghamshire), but also in Scandinavia with an increase in the recycling business in Norway. In North America, the business achieved internal growth of 7.7%, driven mainly by the momentum in industrial services and the incineration business.

28. On May 6, 2008, Veolia issued a press release announcing its financial results for the first quarter ended March 31, 2008 where it reported consolidated revenue of €9,085.6 million, compared with €7,795.1 million. The press release stated the following in relevant part:

> External growth of 7.9% resulted, in particular, from the acquisitions made by Veolia Environmental Services (the waste management division) in Germany, Italy and France (total revenue contribution of €333 million), by Veolia Energy in the United States (€113 million) and by Veolia Water mainly in the United Kingdom and Japan (total revenue contribution of approximately €100 million).
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> In France, revenue rose 12.3% (7.8% at constant scope and exchange rates) as a result of the solid business levels in both the treatment of non-hazardous household and industrial waste (new contracts in the incineration business) and the sorting, recycling and trading of used paper, as well as the acquisition of Bartin Recycling Group completed in February of 2008.
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> Outside France, all geographic regions contributed to the 7.6% organic growth. In North America, continued solid growth of 8.6% at constant scope and exchange rates was driven by an improved trend in pricing which more than offset a slight decline in volumes in solid waste, a strong level of business activity in industrial services and new contracts in the incineration business. Organic growth was also strong in the United Kingdom with, in particular, the impact of new integrated contracts. In Asia, the development of recent contracts made a significant contribution to the 8.6% organic revenue growth in operations. Lastly, in the Pacific region, the 21.3% growth (15.4% at constant scope and exchange rates) resulted from a substantial increase in the waste collection and treatment business (residual waste landfills).
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> The 7.9% external growth primarily reflected the acquisition of Thermal North America Inc. in the United States at the end of 2007 as well as, to a lesser extent, acquisitions of smaller companies in Central Europe.

29. On May 7, 2008, the Company filed an annual report for the period ended December 31, 2007 on Form 20-F with the SEC, which was signed by, Jerome Contamine, and represented the Company's annual financial results and financial position. In addition, the Form 20-F contained signed certifications pursuant to Sarbanes-Oxley Act of 2002 by Defendant Proglio, and Jerome Contamine, stating that the financial information contained in the Form 20-F

was accurate and that they disclosed any material changes to the Company's internal control over financial reporting.

30. On August 7, 2008, Veolia issued a press release announcing its financial results for the six months ending June 30, 2008 where it reported consolidated revenue of €18,091.7 million. The press release stated the following, in relevant part:

> External growth of 8.4% was primarily led by the contribution from acquisitions completed by Veolia Environmental Services (the waste management division) in Germany, Italy and France (for a total revenue contribution of €718 million euros), by Veolia Energy in the United States (revenue contribution of €172 million euros) and Veolia Water mainly in the United Kingdom and Japan (for a total revenue contribution of approximately €148 million euros).
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> Revenue
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> - In France, revenue increased 7.3% on a constant consolidation scope, driven by the good performance of the non-hazardous household and industrial waste management (new contracts in incineration) activities, as well as the paper sorting, recycling and trade business. The acquisition of Bartin Recycling Group, finalized in February 2008, brought total growth in France to 15.5%.
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> - Outside France, all geographical regions contributed to the 8.6% organic growth. Despite the economic slowdown, growth was strong in North America (up 10.8% at constant consolidation scope and exchange rates) due to the increase in prices in the solid waste activity that offset lower in volumes, the good performance of the hazardous waste and industrial services businesses in the United Kingdom (up 7% at constant consolidation scope and exchange rates), in particular due to the impact of new integrated contracts. In Asia, the development of recent contracts significantly contributed to the 19.8% organic growth in the region. Lastly, in the Pacific region, growth of 22.9% (up 17% at constant consolidation scope and exchange rates) resulted from a substantial increase in the waste collection and treatment business (residual waste landfills) and industrial services.
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> - External growth of 18.2% primarily reflected the acquisition of Sulo in Germany (consolidated since July 2, 2007) for a contribution to revenue of £523 million, VSA Tecnitalia (formerly TMT) in Italy for a contribution of £38 million, as well as the activities of Bartin Recycling Group in France (consolidated since February 2008) for a contribution of£136 million.

Income

- Operating cash flow in the Waste management division increased 5.5% (12% at constant exchange rates) to €714.9 million at June 30, 2008 versus €677.6 million at June 30,, 22007. The growth in cash flow from operations benefited from the good contribution of the businesses in North America, the United Kingdom and in Asia-Pacific. The contribution from acquisitions in

- the Waste management division over the course of the past 12 months was €64.7 million, mainly due to the German acquisition. Nevertheless, this was lower than expected due to difficult conditions in industrial non-hazardous waste and due to the nonrenewal of certain contracts within the DSD sector (packaged waste).

Operating income totaled €404.2 million in the first half of 2008 versus €389.1 million in the first half of 2007. Recurring operating income amounted to €404.8 million versus €389.1 million in the first half of 2007 (up 11.5% at constant exchange rates).

The increase in fuel prices negatively impacted operating income by approximately €15 million.

The negative impact of foreign exchange primarily concerned the negative impacts of the depreciation of the US dollar for €10.9 million and the pound sterling for €15.1 million.

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- External growth of 8.5%, mainly reflects the consolidation of the Thermal North America Inc. acquisition in the United States at the end of2007, which contributed €172 million to revenue, as well as to a lesser extent, Praterm in Poland and smaller companies in Central and Southern Europe.

31. On November 12, 2008, Veolia issued a press release announcing its financial results for the nine-month period ending September 30, 2008 where it reported consolidated revenue of €26,316.6 million, as compared with €22,821.0 million for the period a year ago. The press release stated the following in relevant part:

> External growth of 7.1 % resulted, in particular, from the acquisitions made by Veolia Environmental Services (the waste management division) in Germany, Italy and France (with a total contribution of €791 million), by Veolia Energy in the United States (€230 million) and by Veolia Water mainly in the United Kingdom and Japan (total contribution of around €205 million).

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- In France, revenue rose 14.3% (up 5.8% at a constant consolidation scope). External growth resulted from the acquisition of Bartin Recycling Group finalized in February 2008. Organic growth benefited from brisk business in the treatment of non-hazardous household and industrial waste (landfills and incineration) while the sorting-recycling and trading business was affected by the economic slowdown in the third quarter.

- Outside France, all geographical regions contributed to the 8.8% organic growth. Despite the economic slowdown, solid growth was achieved in North America (up 8.9% at constant consolidation scope and exchange rates) due to the price increases in the solid waste business that offset the decline in volumes as well as the good performance of the hazardous waste business and industrial services. Strong growth was also achieved in the United Kingdom (up 10.3% at constant consolidation scope and exchange rates) with, in particular, the contribution of new integrated contracts. In Germany, revenue contracted in the third quarter in comparison with last year, notably in the DSD sector (packaged waste) and industrial businesses. In Asia, the development of recent contracts made a significant contribution to organic growth of23.0%. Lastly, in the Pacific region, the 22.0% growth (19.2% at constant consolidation scope and exchange rates) resulted from a substantial increase in the waste collection and treatment business (residual waste landfills) and industrial services.

- The 12.6% external growth primarily reflected the acquisition of Sulo in Germany (consolidated since July 2, 2007) for a contribution to revenue of £522 million, of VSA Tecnitalia (formerly TMT) in Italy for a contribution of £59 million as well as the operations of Bartin Recycling Group in France (effective since February 2008)for a contribution of £21 0 million.

Operating cash flow and operating income were stable as compared with 2007. They benefited from the satisfactory contribution from operations in the United States, the United Kingdom and Australia and were negatively impacted by the translation of foreign currency into euros, by the difficulties in Germany, as well as, in the third quarter, by the initial signs of the economic slowdown, particularly in France.

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- Revenue grew 22.0%, largely due to the increase in energy prices (€240 million) and the acquisition of Thermal North America Inc. (TNAI) in the United States at the end of2007.

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- External growth of 9.6% mainly reflected the acquisition of TNAI in the United States in late 2007, which contributed €230 million to revenue, as well

as, to a lesser extent, the acquisition of Praterm in Poland and smaller companies in Central and Southern Europe.

The strong increase in operating cash flow and operating income reflected the positive impact of the rise in energy prices, the slightly more favorable weather conditions than in 2007, as well as the consolidation of TN AI.

32. On March 6, 2009, Veolia issued a press release announcing its financial results for the year ended December 31, 2008 where it reported consolidated revenue of €36,205 million, as compared to €31,932 million for the same period a year ago. The press release stated, in relevant part:

In the current economic climate, Veolia Environnement has established the generation of positive free cash flow after the payment of dividends as its priority for 2009.

To achieve this objective, the Group expects to reduce its net investments by at least €1.6 billion as compared with 2008, so that net investments in 2009 should not exceed €2 billion. In order to internally generate the resources for growth, Veolia Environnement has expanded its asset disposal plan. Asset disposals should total €3 billion over the 2009-2011 period, with an objective of at least €1 billion in 2009, after nearly €0.8 billion in divestments already completed in 2008. In addition, measures to reduce costs in the amount of €280 million have been identified for 2009, including € 180 million in connection with the "2010 Efficiency" plan and €100 million in connection with the waste management division's plan to adapt to the current business climate.

Overall, in light of the Group's priority to generate positive free cash flow in 2009, we have established an objective for operating cash flow, after deduction of net investments, of approximately €2 billion at constant exchange rates.

33. On April 19, 2009, the Company filed an annual report for the period ended December 31, 2008 on Form 20-F with the SEC, which was signed by, Defendant Proglio, and represented the Company's annual financial results and financial position. In addition, the Form 20-F contained signed certifications pursuant to Sarbanes-Oxley Act of 2002 by Defendants Proglio, and Piquemal, stating that the financial information contained in the Form 20-F was accurate and that they disclosed any material changes to the Company's internal control over financial reporting.

34. On May 7, 2009, Veolia issued a press release announcing its financial results for the first quarter period ended March 31, 2009 where it the Company reported consolidated revenue of €9,267.0 million, as compared with €8,913.7 million for the same period a year ago. The press release stated the following in relevant part:

> The economic crisis affected volumes of solid waste collected from industrial clients and hazardous waste volumes. The decline in industrial waste volumes was approximately 10%, in line with our expectations. The decrease in volume was marginally offset by a positive impact from pricing. The recycling activities, which represented around 9% of the Environmental Services' division revenue in the first quarter of 2009 were in net decline (-46%), mainly due to the drop in prices.
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> - In France, despite the full-year impact of the acquisition of Bart in Recycling Group, revenue decreased 6.9% due to the decline in volumes linked to the economic slowdown.
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> - Outside France, organic growth declined 8.9%. Most geographical regions were impacted by the economic downturn. Accordingly, in Germany revenue fell €83 million (in the first quarter of 2009 as compared with the first quarter of2008, notably due to lower volumes and the decline in prices in the paper business, as well as the slowdown in some activities such as (Industrial cleaning), as it did in North America (where the 14.5% appreciation in the dollar's exchange rate offset the 7.8% decline in organic growth due in particular to the decline in treated volumes) and in Asia-Pacific. Revenue in the United Kingdom remained flat at constant consolidation scope and exchange rates.

35. On August 6, 2009, Veolia issued a press release announcing its financial results for the six months ended June 30, 2009 where it reported consolidated revenue of €17,427 million, as compared to €17,565.7 million for the same period a year ago. Defendant Proglio, commenting on the results, stated, in pertinent part, as follows:

> In the current economic environment, Veolia Environnement's priority for 2009 is to generate positive free cash flow after the payment of the dividend.
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> To attain this objective, the Group expects net investments of no more than €2 billion in 2009, including an asset disposal plan, confirmed at June 30, 2009, of €1 billion for fiscal year 2009. To date, the Group is engaged in advanced negotiations to dispose of certain assets in the waste management division in the

US and France and in the freight business of Veolia Transport. The objective is to finalize these divestments by the end of 2009.

Additionally, the Group has entered into exclusive discussions with the Caisse des Depots with the aim of merging Veolia Transport with the company Transdev. This merger project remains subject to the conclusion of a definitive agreement which is itself dependent on regulatory approvals.

The operating and financial performance during the first half of the year and the advancement of the disposal program allow the Group to confirm its objectives set for 2009: to generate positive free cash flow after the payment of the dividend for fiscal year 2008 and to generate operating cash flow less net investments of around €2 billion at constant exchange rates.

36. On November 9, 2009, Veolia issued a press release announcing its "key figures" for the period ending September 30, 2009 where it reported consolidated revenue of €25,356.7 million, as compared with €26,074.4 million for the same period a year ago. The press release stated the following in relevant part:

The economic downturn is still affecting the volumes of solid and hazardous waste collected and processed from industrial clients, and also, to a lesser extent, municipal clients. This decline in volumes was offset marginally by positive price effects in certain geographic areas. Revenue from recycling activities was still in a sharp decline, with prices of recycled materials substantially lower in the first nine months of the year than in 2008 even though a relative rise in prices has been witnessed in the last few months.

The revenue decline in the third quarter of 2009 was stable in comparison with the trend noted in the second quarter of 2009.

- In France, revenue fell 12.3% at a constant consolidation scope because of lower volumes related to the economic slowdown and the decline in recycled material prices.
- Outside France, internal growth was -9.8%. Most geographic zones were impacted by the challenged economic environment. In Germany, the revenue decline of 18.1 % at constant consolidation scope and exchange rates was due to the decline in volumes and prices in the paper business and lower industrial waste volumes, as well as the slowdown in certain activities such as industrial cleaning. Revenue in the United Kingdom, (-4.2% at constant consolidation scope and exchange rates), was affected by the decline in industrial waste and in landfill volumes, which was unable to be fully offset by the positive contribution from integrated contracts (PFI). In North America, revenue

> dropped 10.5% at constant consolidation scope and exchange rates, with the decline in treated volumes affecting all activities. In Asia-Pacific, revenue declined 11.4% at constant consolidation scope and exchange rates due to a contraction in services and in industrial waste.

37. On March 5, 2010, Veolia issued a press release announcing its financial results for the year ended December 31, 2009 where it reported consolidated revenue of €34,551.0 million, as compared to €35,764.8 million for the same period a year ago. The press release stated the following in relevant part:

> - the decrease in waste volumes in the Environmental Services division (volumes collected and landfilled), accounting for a 1.6% decline in revenue at the Group level;
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> - the decline in prices of recycled materials in the Environmental Services division, accounting for an approximate 0.8% decline in revenue at the Group level;
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> - the contraction in energy prices, which accounted for an approximate 0.4% decline in revenue at the Group level;
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> - the slowdown in the Works business in the Water division. Growth in Engineering & Construction activities and Works activities in the Water sector slowed during 2009, marked by the near completion of some significant construction contracts outside France[.]
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> The economic downturn has affected the volumes of solid and hazardous waste collected and processed from industrial clients, with variation across countries and business lines. It has also affected, to a lesser degree, business with municipal clients.
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> Revenue from the sale of recycled materials (which represented roughly 7% of the division's revenue) has continued to decline; average annual prices of recycled materials (paper, cardboard, scrap iron and non-ferrous metals) remained significantly lower than in 2008, although there was a gradual upturn in paper and cardboard prices throughout 2009. Prices of scrap iron and certain nonferrous metals remained significantly lower than in 2008.
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> At constant consolidation scope and exchange rates, revenue was stable in the fourth quarter of2009 compared to the fourth quarter of2008, reflecting the stabilization of economic conditions in the second half of 2009.

- In France, revenue fell 1 0.8% (-9.3% at constant consolidation scope), due to the decline in industrial and commercial volumes resulting from the economic slowdown and the decline in recycled material prices.
- Outside France, revenue fell 8.6% (-7.4% at constant consolidation scope and exchange rates). Most geographic zones were affected by the deterioration in the economic environment. In Germany, revenue dropped 8.9%, (-11.3 % at constant consolidation scope), owing to the fall in volumes and prices in the paper business and the decline in industrial waste volumes. Revenue in the United Kingdom, declined 12.9% (-3.7% at constant consolidation scope and exchange rates), due to the decline in industrial waste and landfill volumes, although the positive contribution of integrated (PFI) contracts limited this negative impact. North America revenue declined 4.2%, (-9.1% at constant consolidation scope and exchange rates), as the decline in volumes of waste collected affected all business lines, but was offset in some cases by price increases. Asia-Pacific revenue declined 7.8% (-8.6% at constant consolidation scope and exchange rates), and was also impacted by the decline in industrial services and waste.

38. On April 19, 2010, the Company filed an annual report for the period ended December 31, 2009 on Form 20-F with the SEC, which was signed by, Defendant Frérot, and represented the Company's annual financial results and financial position. In addition, the Form 20-F contained signed certifications pursuant to Sarbanes-Oxley Act of 2002 by Defendants Frérot, and Riolacci, stating that the financial information contained in the Form 20-F was accurate and that they disclosed any material changes to the Company's internal control over financial reporting.

39. On May 7, 2010, Veolia issued a press release announcing its "key figures" for the period ended March 31, 2010 where it reported consolidated revenue of €8,794.2 million, as compared to €9,159.6 million for the same period a year ago. The Company stated that the decline in revenue was due to the "expected effects of 1) the slowdown in the works business and in particular the finalization stage of some major construction contracts outside France in the Water division, 2) the impact of non-strategic divestments carried out in 2009, 3) the non-renewal in 2009 of certain significant contracts in the Transport division and 4) the decline in

energy prices, partly offset by a positive foreign exchange effect." The press release stated the following in relevant part:

> The increase in recycled material prices (notably in France, Germany and Norway) and the growth at constant scope and exchange rates in certain operations (United States and United Kingdom) offset the challenges encountered in some business lines focused on industrial customers that are still affected by the tough business environment.
>
> - The net divestments carried out in the Environmental Services division in 2009, in particular the VPNM operations in France sold in August 2009, had a negative 4.1 % impact on revenue.
>
> - In France, revenue grew 2.2% at constant scope (down 8.5% at current scope) due to the rise in prices of recycled materials (paper, cardboard and non-ferrous metals), despite a strong commercial discipline, as well as a slight contraction in industrial and commercial volumes that had a negative impact on waste collection operations.
>
> - Outside France, revenue grew 6.7%, (up 3.9% at constant scope and exchange rates). Germany benefited from the upturn in paper and cardboard prices, with revenue rising (EURO) 30.4 million in the first quarter of 2010 from the first quarter of 2009, notably due to the increase in paper prices. Revenue in the United Kingdom gained 3.9% at constant scope and exchange rates due to the ramp and growth of integrated contracts. In North America, 2.7% growth at constant scope and exchange rates was driven by the Marine Services business as well as the positive impact of recycled material prices. In Asia-Pacific, the 3.9% revenue growth at constant scope and exchange rates benefited from the recovery in the paper business in Asia as well as targeted price hikes.

40. On August 6, 2010, Veolia issued a press release announcing its half year results for the period ended June 30, 2010 where it reported consolidated revenue of €17,177 million, as compared to €17,389.3 million for the same period a year ago. The press release stated the following in relevant part:

> Based on the results realized throughout the first half of20 10, Veolia Environnement confirms the objectives fixed for 2010:
>
> - achieve recurring operating income improvement
>
> - generate positive free cash flow after dividend payment
>
> - realize €250 million in cost reductions

- pursue the program of €3 billion in divestitures for the period 2009-2011
- and maintain the ratio objective of Net debt / (Cash flow from operations + repayment of OFAs).

***

The positive movement in recycled raw materials prices (notably in France, Germany and Norway), good progression of certain activities in the United States and ramp-up and growth of integrated contracts in the United Kingdom contributed to the return of organic growth at +6.6% in the first half of 2010, despite challenges in certain activities associated with industrial clients still affected by the difficult economic environment. Nevertheless, after volume trends that were still marginally negative in the first quarter, the last months have shown an improvement in several activities.

- In France, revenue increased 7.0% at constant scope, (-4.0% at current scope due to the divestment of Veolia Propreté Nettoyage et Multi-Services in 2009), due to higher recycled raw materials prices (paper/cardboard and metal) and a moderate recovery in volumes in the 2nd quarter. This progression was achieved despite strong commercial discipline that has been maintained at contract renewals.
- Outside France, revenue grew 9.9% (6.2% at constant scope and exchange rates). Germany benefited from higher paper and cardboard prices. Revenue in the United Kingdom increased 3.8% at constant scope and exchange rates due to the continued ramp and growth of integrated contracts. In North America, 4.9% revenue growth at constant scope and exchange rates resulted from disciplined pricing and solid volume levels. In Asia Pacific, 7.6% revenue growth at constant scope and exchange rates resulted from a recovery in paper recycling activity.
- Net divestments in the Environmental Services division in 2009, primarily the activities of Veolia Propreté Nettoyage et Multi-Services in France in August 2009, had an impact on revenue of - 4.7% (-€210.1 million in HI 2010 compared to HI 2009).

Operating cash flow increased 16.1 % (13.3% at constant exchange rates) to €626.6 million in the six months ended June 30, 2010 compared to €539.7 million in the six months ended June 30, 2009.

In the context of stabilized global volumes during the first half of 20 10, with initial signs of recovery at the end of the period, this improvement is explained by:

- higher recycled raw materials prices (paper and metal) compared to the first half of 2009, which positively impacted operational performances in the

division's principal countries (France, United Kingdom, Germany, Australia and the United States);

- positive effects of the Efficiency Plan (€43 million);

Operating cash flow margin increased markedly from 12.0% in the six months ending June 30, 2009 to 13.3% in the six months ended June 30, 2010.

Recurring operating income increased 86.6% (80.7% at constant exchange rates) to €250.6 million in the first half of 2010 versus €134.3 million in the corresponding period in 2009.

The variation in recurring operating income reflects:

- an impairment charge of €35 million booked in the first half of 2009, on operating financial assets in Italy; and

- a negative effect related to the reduction in discount rate utilized at June 30 each year to calculate the provisions for site remediation resulting in a variation of -€15 million compared to the first half of 2009.

The recurring operating income margin improved from 3.0% at in HI 2009 to 5.3% in HI 2010.

[Emphasis added.]

41. On November 10, 2010, Veolia issued a press release announcing its "key figures" for the period ended September 30, 2010 where it reported consolidated revenue for the nine months ending September 30, 2010 of €25,467.9 million, as compared to €25,254.3 million for the same period a year ago. The press release stated the following in relevant part:

The positive differential of recycled raw materials prices (notably in France, Germany and Norway), good progression of certain activities in the United States and the ramping and growth of integrated contracts in the United Kingdom contributed to organic growth of7.2% during the third quarter of 2010. In addition, after a volume effect still marginally negative during the first quarter, the second and third quarters confirm signs of volume recovery in certain activities, and in certain countries, of the Environmental Services division.

- In France, revenue increased 7.7% at constant scope due to higher recycled raw materials prices (paper/cardboard and metals) and a moderated improvement in volumes during the second and third quarters of 2010. This improvement was attained despite strong commercial discipline at the time of contract renewals. Revenue in France at current scope decreased by 2.4%

compared to the prior year due to the divestiture of Veolia Propreté Nettoyage et Multi-Services in 2009.

- Outside France, revenue grew 11.7% (+6.9% at constant scope and exchange rates). Revenue in Germany (+12.6% at constant scope and exchange rates) benefited from a positive price differential on paper and cardboard, and during the third quarter from a rebound in activity in the commercial and industrial segment. Revenue in the United Kingdom increased 4.2% at constant scope and exchange rates due to the ramping and growth of integrated contacts and despite an economic environment which remains difficult, which is negatively impacting other activities. In North America (+6.2% at constant scope and exchange rates), growth was derived from retaining good pricing and volumes, and was reinforced by one time projects. In Asia-Pacific, the 10.2% revenue increase at constant scope and exchange rates benefited from the ramping and growth of activities in China and the recovery of industrial services activities in Australia.

- Net divestments completed in the Environmental Services division throughout 2009, notably the activities of Veolia Propreté Nettoyage et Multi-Services in France, which were divested in August 2009, had an impact on revenue of -4.3% (-(EURO)290.4 million compared to the nine months ending September 30, 2009).

42. On March 4, 2011, Veolia issued a press release announcing its financial results for the year ended December 31, 2010 where it reported consolidated revenue of €34,787 million, as compared to €33,951.8 million for the same period a year ago. The press release stated the following in relevant part:

In 2011, Veolia Environnement envisions a year of growing results:

- Adjusted operating income improvement in the range of 4% to 8%, excluding the impact of the combination of Veolia Transport and Transdev.
- Net income improvement.
- Minimum cost savings of €250M.
- Increased divestment program to at least €1.3 billion.
- Positive free cash flow after dividend[.]

For the period 2011-2013, and according to economic environment assumptions, Veolia's objectives are:

- Average annual increase in adjusted operating income for the period of 4% to 8%

- Improvement in ROCE after tax, with an objective between 9% and 10% in 2014

- Divestment program increased to €4 billion

- Reinforcement of our cost cutting Plan to obtain €300M in annual cost savings by 2013

***

The positive movement in recycled raw materials prices (notably in France and Germany), the good progression of certain activities in the United States, and the ramp-up and growth of integrated contracts in the United Kingdom contributed to 6.9% organic revenue growth in the Environmental Services division in 2010. In addition, after a volume effect that was still marginally negative during the first quarter, the three remaining quarters of 201 0 confirmed signs of volume recovery within certain division activities in many countries. Compared to the first three quarters of 2010, the fourth quarter of 2010 benefited from a less favorable base effect as the sector recovery commenced in the fourth quarter of 2009.

- In France, revenue increased 7.0% at constant scope (-1.2 % at current scope due to the divestment of Veolia Propreté Nettoyage et Multi-Services in 2009) due principally to higher recycled raw material prices (paper/cardboard and metal). Volumes on a global basis were stable in 2010, despite strong commercial discipline maintained at contract renewals, due to a partial improvement in activity.

- Outside France, revenue grew 11.9% (+6.9% at constant scope and exchange rates). Revenue in Germany increased 9.8% at constant scope, and benefited from higher paper and cardboard prices, and since the third quarter, a rebound in activity in the commercial and industrial segment. Revenue in the United Kingdom increased 5.9% at constant scope and exchange rates due to the continued ramp and growth of integrated contracts and despite the continuing difficult economic environment which negatively impacted other division activities. In North America, 6.0% growth at constant scope and exchange rates was driven by the recovery of industrial services activities and special waste, and reinforced by one-time projects in solid waste. In Asia-Pacific, 10.7% revenue growth at constant scope and exchange rates benefited from the ramp and growth of our activities in China, notably in the treatment of special waste, as well as strength in industrial services activities in Australia.

- Net divestments in the Environmental Services division in 2009 and 2010, notably the activities of Veolia Propreté Nettoyage et Multi-Services in France in August 2009, had an impact on revenue of -3.6% (-€312.4 million for the full year 2010 compared to 2009).

Adjusted operating cash flow increased 10.4% (+6.4% at constant exchange rates) to €1,296.6 million for the year ending December 31, 2010, versus €1, 174.6 million for the same period in 2009.

In the context of stabilized global volumes during 2010, with signs of recovery apparent during the year, this improvement is explained by:

- higher recycled raw materials prices (paper and metal) compared to 2009, which positively impacted operational performance in the division's principal countries (France, United Kingdom, Germany, United States);
- positive effects of the Efficiency Plan (€61 million);
- operational improvements, notably in Germany.

Adjusted operating cash flow margin increased from 13.5% for the year ending December 31, 2009 to 13.9% for the same period in 2010.

Adjusted operating income increased 71.4% (+63.6% at constant exchange rates) to €609.1 million for the year ending December 31, 2010 versus €3 5 5.4 million for the same period in 2009.

The variation of adjusted operating income reflects:

- an impairment charge of €35 million booked in 2009 on operating financial assets in Italy, which explains the net charges to operating provisions amounted to -€20.4 million for the year ending December 31, 2010 versus -€54.1 million for the same period in 2009;
- and the impact related to the change in discount rate utilized at December 31 each year used to calculate the provisions for site rehabilitation, for +€26 million at December 31, 2010 versus -€56 million at December 31, 2009.

The adjusted operating income margin increased from 4.1 % for the year ending December 31, 2009 to 6.5% for the same period in 2010.

43. On April 18, 2011, the Company filed an annual report for the period ended December 31, 2010 on Form 20-F with the SEC, which was signed by, Defendant Frérot, and represented the Company's annual financial results and financial position. In addition, the Form 20-F contained signed certifications pursuant to Sarbanes-Oxley Act of 2002 by Defendants Frérot, and Riolacci, stating that the financial information contained in the Form 20-F was

accurate and that they disclosed any material changes to the Company's internal control over financial reporting.

44. On May 5, 2011, Veolia issued a press release announcing its "key figures" as of March 31, 2011 where it reported consolidated revenue of €8, 159.4 million, as compared to €7,329.7 million for the same period a year ago. Moreover, Defendants confirmed the objectives the Company set for 2011. The press release stated the following in relevant part:

> Organic revenue growth of 1 0.2% in the Environmental Services division reflects the benefit of higher recycled raw material prices, which accounted for approximately (EURO) 90 million (notably in France and Germany), as well as improvement in the level of activity for industrial services, treatment of hazardous waste and commercial waste collection, which contributed to higher volumes. In addition, volumes in the first quarter of 2010 were negatively affected by unfavorable climate conditions compared to the first quarter of 2011.
>
> - In France, revenue increased 12.1% at constant scope (+10.2% at current scope), due to the combined effect of higher recycled raw materials prices (paper/cardboard and metals) and improvement in volumes in certain activities, notably the treatment of hazardous waste, landfilling and collection from commercial customers.
>
> - Outside France, revenue increased by 9.1 % at constant scope and exchange rates (+ 12.6% at current exchange rates). Germany benefitted from positive price differentials for paper and cardboard and improved activity in both industrial and commercial segments. Revenue in the United Kingdom increased 13.1 % at constant scope and exchange rates, in line with the progression of integrated contracts, as well as an increase in volumes landfilled, and despite an economic environment that continues to be difficult for other activities. In North America, 1.2% revenue growth at constant scope and exchange rates resulted from an increase in industrial services and hazardous waste activities, and was reinforced by special projects. Revenue was negatively impacted by specific challenges related to technical issues and by a decline in asset utilization rates in the Gulf of Mexico in the Marine Services group. In Asia Pacific, revenue increased 8.1 % at constant scope and exchange rates due to the ramp and growth of activities in China, notably in the treatment of hazardous waste, as well as the growth in industrial services activities in Australia.

45. Following the Company's first quarter press release, Veolia held a conference call with analysts and investors to discuss the earnings announcement and the Company's operations.

With regard to the Company's Marine Service business, Defendant Riolacci stated, in pertinent part, as follows:

> It's worth to mention that volumes are flat in the US, where in Q1 last year we had this time a positive one-off. So overall, we have a global picture where the volumes are up, with probably a certain effect of the comparison basis. These are for -- this is for our Waste operation.
>
> ***
>
> PHILIPPE OURPA TIAN, ANALYST, NA TIXIS: .... The first one is based on the US Waste business. You mentioned that there is some technical trouble you have recorded in some businesses in this area in the US and also a reduction in your marine activity in the Gulf of Mexico. Can you just elaborate on that first?
>
> Secondly, concerning Germany, maybe I don't catch all the elements you mentioned during the Waste division presentation. But could we have the trend in percentage in terms of growth you mentioned? Because in the press release you say that there is a positive differential price effect in Germany in the Waste business. But do we have the volumes and price breakdown and the absolute increase in this activity in Germany?
>
> And the last point is the Water contract you mention with, I would say, some delays in terms of building and construction in Florida. What is the impact of this delay in your revenue for the water activity? Many thanks.
>
> PIERRE-FRANÇOIS RIOLACCI: Okay. On the US Waste business, the difficult operation that we are referring to is in our Marine Service business. This is a maintenance, industrial maintenance business for oil and gas operation in the Gulf of Mexico. And what we had in the first quarter is that we had less activity in the Gulf of Mexico. This is basically due to the drilling activity, which has been dramatically reduced since the blow up of the well, BP well in April. And this had little impact in 2010 because this blow up triggered many rescue operation and our fleet was used at that time and requested by BP for operation there.
>
> So in 2010 we had a little impact, but in the first quarter we had indeed some underactivity. It's not -- at the Group level it's not such a big deal, but when it comes to explaining variation of such and such, it does impact the Waste business margin. It's good to mention that, taking aside this Marine operation, the operating cash flow of our Waste business is doing quite well and in line -- more than in line with the topline growth. So we are at a good level in the Waste business, except this one-off operation in the Gulf of Mexico.

46. The statements referenced in ¶¶ 20 - 45 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts, which

were known to defendants or recklessly disregarded by them that: (1) the Company was materially overstating its financial results by engaging in improper accounting practices; (2) the Company failed to timely record an impairment charge for its Transport business in Morocco, Environmental Services businesses in Egypt, Marine Services business in the United States, and for Southern Europe; (4) the Company's revenues were being hampered by the renewal of some of its major concession contracts; (5) the Company lacked adequate internal and financial controls; and (6) as a result of the foregoing, the Company's statements were materially false and misleading at all relevant times.

## THE TRUTH BEGINS TO EMERGE

47. On August 4, 2011, Veolia issued a press release announcing its half year results, for the period ended June 30, 2011. For the half year, the Company reported consolidated revenue of €16,286.7 million. Moreover, Defendants reported operating income of €252.2 million, compared to €1,100.7 million in the prior year period, due to "non-recurring write-downs amounting to €686M (principally in Italy, Morocco and the United States)." The Company stated that it would exit its Transport business in Morocco, Environmental Services businesses in Egypt, Marine Services business in the United States, and in Southern Europe. Moreover, the Company announced that it had identified accounting fraud at its U.S. Marine Services business. The press release disclosed the following in relevant part:

> Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement indicated: "In the context of improving Company performance, several months ago I launched a complete review of our operations, which is now finished and decisions have been reached. A number of changes have already been initiated and accomplished and the scope of Veolia's operations has already changed significantly throughout the last 18 months. However I have decided to accelerate the restructuring of our activities and supplement the transformation of Veolia Environnement with a convergence plan in order to increase synergies between our businesses and further reduce costs. This second phase will facilitate the achievement of the objective we set: to make Veolia a more reactive and more efficient company given its operational environment, focused on a significantly

> reduced number of countries, with fewer entities and activities, and a clear objective: to quickly improve profitability, all while capturing growth opportunities present within our activities."
>
> ***
>
> In addition to the change in adjusted operating income described above, operating income includes impairment losses on goodwill and non-current assets of approximately €686 million, primarily on Company activities in Italy (€448 million, of which €298 million related to goodwill), the United States (€152 million for TNAI) and Morocco (€32 million).
>
> ***
>
> In addition, during the second quarter of 20 11, the Company identified an incidence of accounting fraud in the United States in the Marine Services business within the Environmental Services division (not correlated with the operational downturn previously discussed). This fraud impacted the years 2007-2010, by amounts that were not significant in any of those years. The correction of accounts associated with the fraud had no impact on the accounts for the first half of 2011, or on the comparative 2010 period.

48. Following the Company's press release, Defendants held a conference call with analysts and investors to discuss the earnings announcement and the Company's operations. With regard to the accounting fraud in the Company's Marine Services business, Defendant Riolacci stated, in pertinent part, as follows:

> In the second quarter, we identified a bookkeeping fraud. Now, there was no embezzlement as such. We've completed our enquiry. We haven't found any evidence of embezzlement. However, the results were artificially bloated by improper accounting methods. Now, these inflated amounts of EUR152 million which -- this began in 2007 all the way up to 2010, this fraud let us to overestimate the profit making capacity of the subsidiary and therefore we have recognized tax liabilities which are not linked to the fraud. But, we have recognized tax liabilities which we shouldn't have done to the tune of$38 million.
>
> So, we -- and all this represents EUR90 million, which we have to adjust. These amounts are spread over four years. So EUR90 million spread over four years is not significant. However, we've had to adjust these amounts in 2011 over one year. This would've had a significant impact, so we're adjusting the EUR90 million in the opening balance sheet. So, that's particularly important, no embezzlement. The persons [sic] involved in the fraud all left the company since May and there has not been any writes-off linked to the adjustment. So not one item of the EUR800 million is linked to the fraud and secondly the fraud has no impact on the operating income for the quarter and for the years as a whole. So no

writes-off and no P&L impacts since this is immediately adjusted in the beginning of the year balance sheet.

49. In reaction to these announcements, the price of Veolia ADSs fell $4.66 per share, or over 22%, to close at $16.10 per share, on heavy trading volume.

## PLAINTIFF'S CLASS ACTION ALLEGATIONS

50. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Veolia's ADS during the Class Period (the "Class"); and were damaged thereby. Excluded from the Class are defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

51. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Veolia's ADSs were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Veolia or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

52. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

53. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

54. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by defendants' acts as alleged herein;
- whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Veolia;
- whether the Individual Defendants caused Veolia to issue false and misleading financial statements during the Class Period;
- whether defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Veolia ADS during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

55. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

56. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Veolia ADS are traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's ADS; and
- Plaintiff and members of the Class purchased and/or sold Veolia ADS between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

57. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

## COUNT I

### (Against All Defendants For Violations of Section 10(b) and Rule 10b-5 Promulgated Thereunder)

58. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

59. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

60. During the Class Period, defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances

under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Veolia ADS; and (iii) cause Plaintiff and other members of the Class to purchase Veolia ADS and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

61. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Veolia ADS. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Veolia's finances and business prospects.

62. By virtue of their positions at Veolia, defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to defendants. Said acts and omissions of defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

63. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Veolia ADS from their personal portfolios.

64. Information showing that defendants acted knowingly or with reckless disregard for the truth is peculiarly within defendants' knowledge and control. As the senior managers and/or directors of Veolia, the Individual Defendants had knowledge of the details of Veolia internal affairs.

65. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Veolia. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Veolia's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Veolia ADS was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Veolia's business and financial condition which were concealed by defendants, Plaintiff and the other members of the Class purchased Veolia ADS at artificially inflated prices and relied upon the price of the ADS, the integrity of the market for the securities and/or upon statements disseminated by defendants, and were damaged thereby.

66. During the Class Period, Veolia ADSs were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Veolia ADS at

prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased said Veolia's ADS, or would not have purchased them at the inflated prices that were paid. At the time of the purchases by Plaintiff and the Class, the true value of Veolia ADSs was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Veolia ADS declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

67. By reason of the conduct alleged herein, defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

68. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's ADS during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

## COUNT II

**(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)**

69. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

70. During the Class Period, the Individual Defendants participated in the operation and management of Veolia, and conducted and participated, directly and indirectly, in the conduct of Veolia's business affairs. Because of their senior positions, they knew the adverse non-public information about Veolia's misstatement of income and expenses and false financial statements.

71. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Veolia's financial condition and results of operations, and to correct promptly any public statements issued by Veolia which had become materially false or misleading.

72. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Veolia disseminated in the marketplace during the Class Period concerning Veolia's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Veolia to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Veolia within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Veolia ADS.

73. Each of the Individual Defendants, therefore, acted as a controlling person of Veolia. By reason of their senior management positions and/or being directors of Veolia, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Veolia to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Veolia and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

74. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Veolia.

## PRAYER FOR RELIEF

**WHEREFORE**, Plaintiff demands judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

## DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: January 13, 2012

Marc I. Gross
Jeremy A. Lieberman
**POMERANTZ HAUDEK GROSSMAN & GROSS, LLP**
100 Park Avenue, 26th Floor
New York, New York 10017-5516
Telephone: (212) 661-1100
Facsimile: (212) 661-8665

Patrick V. Dahlstrom
**POMERANTZ HAUDEK GROSSMAN & GROSS, LLP**
One North LaSalle Street, Suite 2225
Chicago, Illinois 60602
Telephone: (312) 377-1181
Facsimile: (312) 377-1184

**Attorneys for Plaintiff**

# Certification of Plaintiff
# Pursuant to Federal Securities Laws

1. I, Beth Shikiar, make this declaration pursuant to Section 101 of the Private Securities Litigation Reform Act of 1995 as required by Section 21D (a) (2) of Title I of the Securities Exchange Act of 1934.

2. I have reviewed a Complaint against Veolia Environment S.A. ("Veolia"), and authorize a filing of a comparable complaint on my behalf.

3. I did not purchase my Veolia securities at the direction of plaintiffs' counsel or in order to participate in any private action arising under Title I of the Securities Exchange Act of 1934.

4. I am willing to serve as a representative party on behalf of a class as set forth in the Complaint, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action.

5. To the best of my current knowledge, the attached sheet lists all of my purchases and sales in Veolia securities during the Class Period as specified in the Complaint.

6. During the three-year period preceding the date on which this certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws, except as follows:

7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

8. The matters stated in this declaration are true to the best of my current knowledge, information and belief.

I declare under penalty or perjury that the foregoing is true and correct.

**Executed** 01/13/12, **at** KFAR VRADIM, ISRAEL 25147
**(Date)** **(City, State)**

[signature]
**(Signature)**

BETH SHIKIAR
**(Type or Print Name)**

**Summary of Purchases and Sales**

| DATE | TRANSACTION TYPE: PURCHASE OR SALE | NUMBER/ TYPE OF SECURITY | PRICE OF SECURITY |
|---|---|---|---|
| 07/26/11 | Purchase | 400 | $26.05 |
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